Special Compensation Committee Meeting
March 23, 2001

Salary Continuation Benefit

Associate Type	DC* Combination	Proposed** Combination
Non-Exempt Entry Level Professional	12 weeks	12 weeks
Sr. Professional	12 weeks	15 weeks
Manager	6 months	6 months
Director	6 months	9 months
Officer	1 year	1.5 years

* Some associates received higher payouts due to receiving greater of above schedule and prior DC Schedule

** Associates at Delaware schedule could receive higher payouts due to current Delaware schedule

Severance Plan – Summary Provisions

Eligibility	Full-time and part-time benefit eligible associates Without employment contract Non-voluntary or mutually agreed upon termination Constructive Discharge
Compensation	Per schedule Paid per payroll schedule (bi-weekly)
Annual Incentive	Prorated if employed more than 10 months of plan year
Other Benefits	
a. Pension	a. Not continued
b. 401(k)	b. Not continued
c. Life	c. Not continued
d. Health	d. Continued during severance
e. Vacation	e. Accrual paid upon termination
f. Outplacement	f. Yes
Severance Agreement	
a. Release	a. Yes
b. Non-disclosure	b. Yes

c. Non-solicitation	c. Yes
d. Non-disparagement	d. Yes
e. Non-compete	e. Yes

After this review, the committee approved the plan as presented.

Respectfully submitted,

Sharon J. Vecchioni

Minutes of the Special Compensation Committee Meeting
of the Board of Directors of CareFirst, Inc. held April 20, 2001

Members Present: Joe Haskins, Ed Baran (via telephone), Hanan Sibel

Also Present: Dan Altobello, William Jews, Sharon Vecchioni, Don Barnes Of the HayGroup, Mark Muedeking, Piper, Marbury and Rudnick

At the request of the committee, Don Barnes of the HayGroup presented an executive merger incentive plan through the use of a handout which was shared with the committee and which is made a part of these minutes with the following purpose:

- Align the interests of management with the interests of the stakeholders
- Focus the attention of management on maintaining and maximizing value for the stakeholders
- Ensure that management has the necessary incentives to drive the sale process through conclusion for the benefit of the stakeholders

Mr. Barnes noted that he and his staff analyzed a broad array of compensation data. The analysis included the following data and exhibits:

- Total direct compensation of Top 5 executives at Trigon and Wellpoint analyzed – both companies have aggressive long-term incentives.
- Cerulean Companies, Inc. (formerly BCBS of Georgia; merged with Wellpoint) is most similar to CareFirst. Merger retention bonuses of executive officers were reviewed.
- Current Change of Control Provisions for CareFirst executives reviewed.
- Compilation of 13 health care mergers prepared by Piper Marbury Rudnick and Wolfe LLP were analyzed.
- 2000 Executive Compensation Advisory Services Survey of Merger and Acquisition Retention Awards reviewed. This survey has 130 organizations in it – 23% are financial services or healthcare companies.

In addition, Mr. Barnes noted that another executive compensation firm, Frederic W. Cook & Company, Inc. conducted an independent analysis using three different approaches:

I. Direct translation of the Cerulean transaction:

- The performance-plan payment represented 0.94% of the transaction proceeds.
- $1.0 billion x 0.94% less $1.3 million (amount received under CareFirst's long-term plan over the last three years) equals $8.1 million.

II. Comparison to other CEO transaction-related bonuses:

- Among companies outside the healthcare industry, these bonuses are 400% to 500% of base salary
- Frederick W. Cook first calculated $4.0 million of award value
- They believe that the executives also received increased value in their outstanding stock options as a result of any takeover premium, special bonuses, and possible consulting contracts – if terminated.
- These additional items potentially add, on a conservative basis, an additional 50% of the total
- The final value is $6.0 million

III. Comparison to stock option gains of CEOs in similarly-sized, publicly-held peer companies:

- The median total compensation for the most recent 5-year period is $19.7 million
- Because CareFirst is a private company, this value was discounted by 20% to $15.7 million.
- Mr. Jews' total compensation for this same period totaled $7.3 million.
- The difference between the two figures is $8.4 million. This is one way to measure the reasonableness of a sale incentive.

The average of the three approaches ($8.1 million, $6.0 million, and $8.4 million) is $7.5 million.

The HayGroup analyzed equity-based compensation transactions based on 13 health care mergers from 1996-2001:

- The range in transactions were from $200 million to $2.2 billion
- Median compensation as a percent of transaction paid to executive officers (including CEO) – 2.38% (range generally from 0.33% to 4.50%)
- Median compensation as a percent of transaction paid to CEO – 0.88% (range generally from 0.19% to 3.63%)
- All 13 transactions involved public companies
- A reduction factor of 20% is commonly used for a private company like CareFirst
- Median compensation reduces to 1.90% for executive officers (including CEO)
- Median compensation reduces to 0.70% for CEO

Mr. Barnes then compared these results with the Cerulean Companies transaction, which is the most similar to a potential CareFirst situation. The following comparison was made:

For a $1.0 billion transaction:

- It would be reasonable for the Executive officers (including CEO) to receive $19.0 million (Cerulean received $17.9 million, for a $700 million transaction)

- It would be reasonable for the CEO to receive $7.0 million (Cerulean received $6.6 million, for a $700 million transaction)

In addition to the above, Mr. Barnes noted that it is essential to retain other key management members as discussed in the prior compensation committee meeting.

- A multiple of base salary (0.5 to 1.0) is commonly used for this purpose.

- Therefore, to complete the transaction:
  — All key executives (67 employees) receive $25.1 million (Cerulean awarded $30.0 million, for a $700 million transaction)

  — In addition, Cerulean awarded another $17.9 million to other employees, In total, Cerulean awarded $47.9 million (6.84%) in merger retention bonuses to 247 employees